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106TH CONGRESS
1ST SESSION

S. 1002

To amend title XVIII of the Social Security Act to provide for a prospective payment system for services furnished by psychiatric hospitals under the Medicare Program.

IN THE SENATE OF THE UNITED STATES

MAY 11, 1999

Mr. MACK (for himself and Mr. BREAUX) introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend title XVIII of the Social Security Act to provide for a prospective payment system for services furnished by psychiatric hospitals under the Medicare Program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Medicare Psychiatric Hospital Prospective Payment System Act of 1999".

SEC. 2. MEDICARE PROSPECTIVE PAYMENT SYSTEM FOR PSYCHIATRIC FACILITIES.

(a) ESTABLISHMENT OF PROSPECTIVE PAYMENT SYSTEM.—Section 1886 of the Social Security Act (42

U.S.C. 1395ww) is amended by adding at the end the following:

"(l) PROSPECTIVE PAYMENT SYSTEM FOR INPATIENT PSYCHIATRIC SERVICES.—

"(1) AMOUNT OF PAYMENT.—

"(A) DURING TRANSITION PERIOD.—Notwithstanding section 1814(b), but subject to the provisions of section 1813, the amount of payment with respect to the operating and capital-related costs of inpatient hospital services of a psychiatric facility (as defined in paragraph (7)(C)) for each day of services furnished in a cost reporting period beginning on or after October 1, 2000, and before October 1, 2003, is equal to the sum of—

"(i) the TEFRA percentage (as defined in paragraph (7)(D)) of the facility-specific per diem rate (determined under paragraph (2)); and

"(ii) the PPS percentage (as defined in paragraph (7)(B)) of the applicable Federal per diem rate (determined under paragraph (3)).

"(B) UNDER FULLY IMPLEMENTED SYSTEM.—Notwithstanding section 1814(b), but

subject to the provisions of section 1813, the amount of payment with respect to the operating and capital-related costs of inpatient hospital services of a psychiatric facility for each day of services furnished in a cost reporting period beginning on or after October 1, 2003, is equal to the applicable Federal per diem rate determined under paragraph (3) for the facility for the fiscal year in which the day of services occurs.

"(C) NEW FACILITIES.—In the case of a psychiatric facility that does not have a base fiscal year (as defined in paragraph (7)(A)), payment for the operating and capital-related costs of inpatient hospital services shall be made under this subsection using the applicable Federal per diem rate.

"(2) DETERMINATION OF FACILITY-SPECIFIC PER DIEM RATES.—

"(A) BASE YEAR.—The Secretary shall determine, on a per diem basis, the allowable operating and capital-related costs of inpatient hospital services for each psychiatric facility for its cost reporting period (if any) beginning in the base fiscal year (as defined in paragraph

(7)(A)), such costs determined as if subsection (b)(8) did not apply.

"(B) UPDATING.—The Secretary shall update the amount determined under subparagraph (A) for each cost reporting period after the cost reporting period beginning in the base fiscal year and before October 1, 2003, by a factor equal to the market basket percentage increase (as defined in subsection (b)(3)(B)(iii)).

"(3) DETERMINATION OF FEDERAL PER DIEM RATE.—

"(A) BASE YEAR.—The Secretary shall determine, on a per diem basis, the allowable operating and capital-related costs of inpatient hospital services for each psychiatric facility for its cost reporting period (if any) beginning in the base fiscal year (as defined in paragraph (7)(A)), such costs determined as if subsection (b)(8) did not apply.

"(B) UPDATING TO FIRST FISCAL YEAR.—The Secretary shall update the amount determined under subparagraph (A) for each cost reporting period up to the first cost reporting period to which this subsection applies by a factor

equal to the market basket percentage increase (as defined in subsection (b)(3)(B)(iii)).

"(C) COMPUTATION OF STANDARDIZED PER DIEM RATE.—The Secretary shall standardize the amount determined under subparagraph (B) for each facility by—

"(i) adjusting for variations among facilities by area in the average facility wage level per diem; and

"(ii) adjusting for variations in case mix per diem among facilities (based on the patient classification system established by the Secretary under paragraph (4)).

"(D) COMPUTATION OF WEIGHTED AVERAGE PER DIEM RATES.—

"(i) SEPARATE RATES FOR URBAN AND RURAL AREAS.—Based on the standardized amounts determined under subparagraph (C) for each facility, the Secretary shall compute a separate weighted average per diem rate—

"(I) for all psychiatric facilities located in an urban area (as defined in subsection (d)(2)(D)); and

"(II) for all psychiatric facilities located in a rural area (as defined in subsection (d)(2)(D)).

"(ii) FOR HOSPITALS AND UNITS.—In the areas referred to in clause (i), the Secretary may compute a separate weighted average per diem rate for—

"(I) psychiatric hospitals; and

"(II) psychiatric units described in the matter following clause (v) of subsection (d)(1)(B).

If the Secretary establishes separate average weighted per diem rates under this clause, the Secretary shall also establish separate average per diem rates for psychiatric facilities in such categories that are owned and operated by an agency or instrumentality of Federal, State, or local government and for psychiatric facilities other than such facilities.

"(iii) WEIGHTED AVERAGE.—In computing the weighted averages under clauses (i) and (ii), the standardized per diem amount for each facility shall be weighted for each facility by the number of days of

inpatient hospital services furnished during its cost reporting period beginning in the base fiscal year.

"(E) UPDATING.—The weighted average per diem rates determined under subparagraph (D) shall be updated for each fiscal year after the first fiscal year to which this subsection applies by a factor equal to the market basket percentage increase (as defined in subsection (b)(3)(B)(iii)).

"(F) DETERMINATION OF FEDERAL PER DIEM RATE.—

"(i) IN GENERAL.—The Secretary shall compute for each psychiatric facility for each fiscal year (beginning with fiscal year 2001) a Federal per diem rate equal to the applicable weighted average per diem rate determined under subparagraph (E), adjusted for—

"(I) variations among facilities by area in the average facility wage level per diem;

"(II) variations in case mix per diem among facilities (based on the patient classification system estab-

lished by the Secretary under paragraph (4)); and

"(III) variations among facilities in the proportion of low-income patients served by the facility.

"(ii) OTHER ADJUSTMENTS.—In computing Federal per diem rates under this subparagraph, the Secretary may adjust for outlier cases, the indirect costs of medical education, and such other factors as the Secretary determines to be appropriate.

"(iii) BUDGET NEUTRALITY.—The adjustments specified in clauses (i)(I), (i)(III), and (ii) shall be implemented in a manner that does not result in aggregate payments under this subsection that are greater or less than those aggregate payments that otherwise would have been made if such adjustments did not apply.

"(4) ESTABLISHMENT OF PATIENT CLASSIFICATION SYSTEM.—

"(A) IN GENERAL.—The Secretary shall establish—

"(i) classes of patients of psychiatric facilities (in this paragraph referred to as

'case mix groups'), based on such factors as the Secretary determines to be appropriate; and

"(ii) a method of classifying specific patients in psychiatric facilities within these groups.

"(B) WEIGHTING FACTORS.—For each case mix group, the Secretary shall assign an appropriate weighting factor that reflects the relative facility resources used with respect to patients classified within that group compared to patients classified within other such groups.

"(5) DATA COLLECTION; UTILIZATION MONITORING.—

"(A) DATA COLLECTION.—The Secretary may require psychiatric facilities to submit such data as is necessary to implement the system established under this subsection.

"(B) UTILIZATION MONITORING.—The Secretary shall monitor changes in the utilization of inpatient hospital services furnished by psychiatric facilities under the system established under this subsection and report to the appropriate committees of Congress on such changes, together with recommendations for

legislation (if any) that is needed to address unwarranted changes in such utilization.

"(6) SPECIAL ADJUSTMENTS.—Notwithstanding the preceding provisions of this subsection, the Secretary shall reduce aggregate payment amounts that would otherwise be payable under this subsection for inpatient hospital services furnished by a psychiatric facility during cost reporting periods beginning in fiscal years 2001 and 2002 by such uniform percentage as is necessary to assure that payments under this subsection for such cost reporting periods are reduced by an amount that is equal to the sum of—

"(A) the aggregate increase in payments under this title during fiscal years 1999 and 2000, that is attributable to the operation of subsection (b)(8); and

"(B) the aggregate increase in payments under this title during fiscal years 2001 and 2002 that is attributable to the application of the market basket percentage increase under paragraphs (2)(B) and (3)(E) of this subsection in lieu of the provisions of subclauses (VI) and (VII) of subsection (b)(3)(B)(ii). Reductions under this paragraph shall not affect computa-

tion of the amounts payable under this subsection for cost reporting periods beginning in fiscal years after fiscal year 2002.

"(7) DEFINITIONS.—For purposes of this subsection:

"(A) The term 'base fiscal year' means, with respect to a hospital, the most recent fiscal year ending before the date of enactment of this subsection for which audited cost report data are available.

"(B) The term 'PPS percentage' means—

"(i) with respect to cost reporting periods beginning on or after October 1, 2000, and before October 1, 2001, 25 percent;

"(ii) with respect to cost reporting periods beginning on or after October 1, 2001, and before October 1, 2002, 50 percent; and

"(iii) with respect to cost reporting periods beginning on or after October 1, 2002, and before October 1, 2003, 75 percent.

"(C) The term 'psychiatric facility' means—

"(i) a psychiatric hospital; and

"(ii) a psychiatric unit described in the matter following clause (v) of subsection (d)(1)(B).

"(D) The term 'TEFRA percentage' means—

"(i) with respect to cost reporting periods beginning on or after October 1, 2000, and before October 1, 2001, 75 percent;

"(ii) with respect to cost reporting periods beginning on or after October 1, 2001, and before October 1, 2002, 50 percent; and

"(iii) with respect to cost reporting periods beginning on or after October 1, 2002, and before October 1, 2003, 25 percent.".

(b) LIMIT ON REDUCTIONS UNDER BALANCED BUDGET ACT.—Section 1886(b) of the Social Security Act (42 U.S.C. 1395ww(b)) is amended by adding at the end the following:

"(8) Notwithstanding the amendments made by sections 4411, 4414, 4415, and 4416 of the Balanced Budget Act of 1997, in the case of a psy-

chiatric facility (as described in subsection (l)(7(C)(ii)), the amount of payment for the operating costs of inpatient hospital services for cost reporting periods beginning on or after October 1, 1998, and before October 1, 2000, shall not be less than 95 percent of the amount that would have been paid for such costs if such amendments did not apply.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply as if included in the enactment of the Balanced Budget Act of 1997.

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